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WHAT USE IS THE PANAMA CANAL TO OUR COUNTRY WITHOUT AMERICAN SHIPS

BY BERNARD N. BAKER.

Most of what we have heard and read of the Panama Canal relates to its political and strategic advantages. It is somewhat curious that as a practical people the Americans have thus far been disposed to consider this vast enterprise from the standpoint of sentiment. The thought dominant in the American mind is that the canal will be worth its great cost as an agency in the broader statesmanship in which the United States is engaged. There has been a great deal of the "hurrah" in the promotion of this project, with a magnificent disregard of what it may mean as a waterway when it is finished.

No one can reasonably find fault with this condition. Many of the most useful works owe their origin and success to politics and military foresight. But in the end means must be found to pay the cost of operation and to make some return upon the capital invested. More important still, it is incumbent upon us to inquire wherein we may use our new opportunities for the increase of our commerce. For in the near future and largely in

the present national safety depends to a very considerable degree upon the power of the people to command their just share in the trade of the world.

Let me say from personal observation that the work at Panama is being done in a manner that deserves the support and admiration of every one. Nothing in human history can equal it. All the more, therefore, should we strive as a people to prepare ourselves for the new facilities which our Government is preparing to give us by dividing this great hemisphere and saving to water traffic thousands of miles of dangerous navigation.

At conservative estimates we shall have invested in the Panama Canal, when it is completed, at least \$500,000,000, and the minimum working expenses have been placed at about \$5,000,000 per annum. Any one can see from this that a very remarkable traffic will be required to meet the fixed charges. It is not likely that this traffic will be forthcoming in the early years of the canal, and it is still more doubtful that it will arrive within the next decade unless our own people begin to make provision for it. Personally, I feel quite certain that with the enormous growth of our country, and with the really wonderful development that is going on in South America, and with the new fields that are open in the Far East, we shall be able to make the Panama Canal pay, not only as a canal, but as a help to the vast bulk of American trade. But it requires some boldness to lift this optimism out of the conditions that at present prevail, and the purpose of this article is to point out certain facts that would be grotesque if they were not so pitifully true.

Our able Secretary of State has lately presented the statistics in travel and trade between Latin-American countries and the United States. Travel increased fifty per cent. during the preceding year, and our Latin-American trade grew from \$261,000,000 in 1897 to \$596,000,000 in 1907, or one hundred and twenty-eight per cent., while our exports to Latin America grew from \$76,000,000 in 1897 to \$256,000,000 in 1907, or two hundred and thirty-seven per cent. But our share of this trade is only 13.8 per cent., while the vast bulk goes to England, Germany and Japan. To-day six lines of railway are being built across South America, and they mean new business of the largest value. But the small percentage of that which we are securing is transported, like our other South-American trade, mainly in foreign bottoms.

To-day there are only eleven vessels engaged in foreign trade that fly the American flag, and it may be well to give the list here:

"American Line plying between New York and Southampton: 'St. Paul,' 11,629 tons; 'St. Louis,' 11,629 tons; 'Philadelphia' (British built), 10,786 tons; 'New York' (British built), 10,798 tons. Great Northern Steamship Company plying between Seattle and the Orient: 'Minnesota,' 20,718 tons. Pacific Mail Steamship Company plying between San Francisco, Hawaii, Japan, China and Hongkong: 'China' (British built), 5,060 tons; 'Korea,' 11,276 tons; 'Siberia,' 11,284 tons; 'Manchuria,' 13,639 tons; 'Mongolian,' 13,639 tons. International Mercantile Marine Company plying between Antwerp and Boston: 'Samland,' 9,710 tons—eleven vessels in all, making a total tonnage of 130,166 tons."

That is all the United States now has in the cross-seas service. Compare this with England's 11,517 vessels, with a total tonnage of 18,320,668, or of Germany's 2,094, with a total of 4,110,562 tons. In order that these comparisons may be understood, it should be stated that there are a little over 800,000 tons which the Marine Report gives to our foreign trade, but which is made up of vessels plying between Canada and port to port in the United States, both on the Great Lakes and in the coastwise trade.

The point in this glaring contrast is that the United States simply has not the ships afloat or under construction, or even under consideration, to develop any trade with South America or with any other part of the world.

A second point is even more amazing. The United States Government owns the Panama Steamship Company from New York to Colon and owns the Panama Railroad Company from Colon to Panama and operates them as commercial lines. The Panama Steamship Company claims the right to regulate rates to and from Colon on account of the joint ownership of the Panama Steamship Company and the Panama Railroad Company by the United States Government War Department. Keeping this ownership in mind, I have tried to drive home the present situation by the following statement of facts and rates:

1. The rate on hides from Central America to New York is \$30 a ton. The Pacific Coast Steamship Company, from Central America to Panama, receives \$12 a ton; the Panama Railroad Company, from Panama to Colon, receives \$8.10 a ton; and the Panama Steamship Company, from Colon to New York, receives \$9.90 a ton.

The rate on hides from Central America to Europe is \$24 a

ton. The Pacific Coast Steamship Company, from Central America to Panama, receives \$8.40 a ton; the Panama Railroad Company, from Panama to Colon, receives \$5.60 a ton; and the Panama Steamship line, from Colon to Europe, receives \$10 a ton.

Result.—An American importer pays the Panama Railroad Company, owned and operated by the United States Government, \$2.50 a ton more if from Central America, and pays the Pacific Coast Steamship Company \$3.60 a ton more on hides than an English, French or German importer pays.

Distances.—Colon to New York, 1,981 miles; Colon to Liverpool, 4,682 miles; and Colon to Hamburg, 4,992 miles.

2. The rate on hides from Guayaquil to New York is \$22.50 a ton. The Pacific Coast Steamship Company, from Guayaquil to Panama, receives \$8.55 a ton; the Panama Railroad Company, from Panama to Colon, receives \$6.28 a ton; and the Panama Steamship Company, from Colon to New York, receives \$7.67 a ton.

The rate on hides from Guayaquil to Europe is \$19.20 a ton. The Pacific Coast Steamship Company, from Guayaquil to Panama, receives \$6.40 a ton; the Panama Railroad Company, from Panama to Colon, receives \$4.80 a ton; and the Panama Steamship Line, from Colon to Europe, receives \$8 a ton.

Result.—An American importer pays the Panama Railroad Company, owned and operated by the United States Government, \$1.48 a ton more if from Guayaquil, and pays the Pacific Coast Steamship \$2.15 a ton more on hides than an English, French or German importer pays.

So to-day we have the actual fact of foreign nations and foreign ships using our own property and our own facilities at less rates than we charge our own people. It was the publication of this fact that has led me to lay before the American public the details of my recent investigations. So many hundreds of letters have come from all parts of the United States asking for information with regard to these investigations as to the transportation conditions of the Panama Steamship Company and the Panama Railroad Company, and the development of the through transportation between the east and west coast of the United States and Central and South America *via* this route, that I give herewith the exact data.

On December 17th, 1908, in an interview with the Hon. Luke Wright, Secretary of War, with regard to the transportation conditions, he suggested that I communicate with Mr. E. A. Drake, Vice-President and General Manager of the Panama Steamship Company and the Panama Railroad Company. This was followed by a meeting with Mr. Drake and a clear understanding with him that it was very desirable that some steps should be taken to develop the American business *via* the Panama Steamship Company and the Panama Railroad Company, and the understanding was had that it should be done with his co-operation and nothing would be undertaken unless this could be done.

This was followed by a meeting, arranged in Washington, the 27th of January, 1909, at which were present Secretary-of-War Wright; Mr. E. A. Drake; Mr. Rogers, counsel for the Panama Steamship Company and Panama Railroad Company; General Edwards; Captain Boggs; Hon. William R. Wheeler; and Mr. Bates, of the firm of Bates & Chesebrough, Steamship Agents of San Francisco. At this meeting was fully discussed a proposition made by Mr. Bates to put on a line of American steamers from San Francisco to Panama in connection with the Panama Railroad Company, and Secretary Wright agreed to make arrangements with Mr. Bates, which Mr. Drake and myself felt would not be desirable.

Secretary Wright requested me to formulate some plan by which American commerce could now be fully developed—*via* the Panama Railroad Company—with the idea of the future benefits to our American commerce by the construction of the Panama Canal.

On February 5th, 1909, I submitted to Secretary Wright a definite proposition for the building of fifteen steamships. I further agreed to use my very best efforts to have formed a company for the purpose of bidding upon a mail contract which was justified under the Act of Congress of March 3rd, 1891, providing for ocean mail service between the United States and foreign ports and to promote commerce. And further, that I would induce other interests to also bid upon a contract to be advertised for by the Post-Office Department and had secured promises from two interests to make bids.

The honorable Secretary of War was so impressed with the necessity and importance of developing this interest that he sug-

gested, in the course of discussion, that I should endeavor to find out the views and opinions of the Pacific coast cities as to what volume of business could be expected and depended upon, and whether they would support the establishment of such a line. On the 14th of February, 1909, carrying out these suggestions, I left for Seattle. I met many of the merchants of Seattle, Portland, San Francisco, Los Angeles and New Orleans and returned to Washington Monday, the 8th of March. The result of that visit to the Pacific coast was extremely satisfactory and terminated in the following action by the Associated Commercial Organizations of the Pacific coast:

" PORTLAND, OREGON, *March 22nd, 1909.*

" Hon. B. N. Baker, Baltimore, Maryland.

" MY DEAR SIR,—On last Friday there was a meeting at San Francisco of representatives from all cities of the Pacific coast, held in connection with rate matters generally.

" At this meeting the question of the extension of the Panama service was taken up, and a telegram, of which the following is a copy, was sent to the President, the Secretary of War, Pacific coast Senators and to Mr. Wheeler, who is now in Washington:

" ' We, the undersigned representatives of the entire commercial interests of the Pacific coast in conference assembled, earnestly urge the Government to encourage the establishment of a private-owned line of steamships on the Pacific and Atlantic operated *via* Panama Railroad by extending all possible privileges and concessions. If no private line is established, we favor completion of the Government line by placing Government-operated steamships on the Pacific Ocean same as now operated on the Atlantic.

" ' Transportation Bureau Chamber of Commerce of Seattle.

" ' Traffic Association of Tacoma.

" ' Transportation Committee Chamber of Commerce of Portland.

" ' Merchants and Manufacturers Association of Sacramento.

" ' Traffic Bureau of the Merchants Exchange of San Francisco.

" ' Associated Jobbers of Los Angeles.'

" Yours very truly,

" (Signed) J. N. TEAL."

In reporting to Secretary Wright, he expressed himself as very highly pleased and saw no reason why something should not be done; but he told me that President Taft had selected Hon. J. M. Dickinson as Secretary of War, and he did not wish to take any action, in view of the short time he would remain, preferring to leave it to his successor.

President Taft granted me an interview on March 24th, 1909. My understanding of that interview was that President Taft heartily approved of what had been done and desired that I see Secretary Dickinson and arrange with him to visit Panama and make a full investigation of conditions there as to the physical ability of the Panama Railroad Company during the construction of the canal to develop commerce by this route. I was very much encouraged. I met Secretary Dickinson and outlined to him what had been done with his predecessor, Mr. Wright, and he promised to look into it very fully. He also promised to notify me as to the date of his leaving for Panama.

On Wednesday, the 31st of March, 1909, the question was taken up with Assistant Postmaster-General Stewart as to whether or not a mail contract would be justified. Mr. Stewart stated that he saw no reason why the Post-Office Department would not be justified in advertising for mail proposals for fast American ships from New York and New Orleans to Colon, from San Francisco and Los Angeles to Panama; in the development of commerce he thought Portland and Seattle could also be arranged for.

The honorable Secretary of War notified me when he would be in Panama, and on Wednesday, the 14th of April, I left for Panama, where I spent ten days fully investigating conditions. I met the Secretary of War several times.

In a discussion with Colonel Goethals with regard to providing ample opportunity for developing business, the question was taken up as to the use of the Panama Railroad Company during the night hours for canal construction. Colonel Goethals said this would not be possible. There was a final discussion with Secretary Dickinson on May 31st at the Hotel Tivoli, Ancon. Secretary Dickinson concluded that he did not think it came within the province of the Secretary of War to develop commerce *via* the Panama Railroad Company, but that it was a matter which should be acted upon by Congress.

I was furnished every facility and opportunity in investigating fully the conditions and now give the actual table of the division of through revenue by the Panama route, showing the Atlantic Carriers' proportion of freight, the Panama Railroad Company's proportion and the Pacific Carriers' proportion in divisions:

SHOWING THE DIVISION OF THROUGH REVENUE BY THE PANAMA ROUTE.

Item.	Between.	Atlantic	P. R. R.	Pacific
		Carrier. Per cent.	Carrier. Per cent.	Carrier. Per cent.
1	Europe and Panama.....	55	45	—
2	" " Central America	41 2/3	23 1/3	35
3	" " Mexico.....	37 1/2	25	37 1/2
4	" " San Francisco..	35	24 3/8	40 5/8
5	" " South Pacific...	41 2/3	25	33 1/3
6	New York " Panama.....	55	45	—
7	" " Central America	33	27	40
8	" " Mexico.....	33	27	40
9	" " San Francisco..	27 1/2	22 1/2	50
10	" " Portland.....	21.3125	17.4375	61 1/4
11	" " Seattle.....	21.3125	17.4375	61 1/4
12	" " Los Angeles....	18.4286	15.0952	66.4762
13	" " South Pacific...	34.1	27.9	38
14	New Orleans " Panama.....	55	45	—
15	" " Central America	33	27	40
16	" " Mexico.....	33	27	40
17	" " San Francisco..	—	—	—
18	" " South Pacific...	34	28	38

N. B.—In the case of Item 12, the percentage varies according to the class of goods.

Any one interested can secure the rate and make the division. The result of these pro-rating arrangements has been in many cases a very decided discrimination against New York and New Orleans traffic *via* Panama in favor of European traffic by the same route. In addition to this, the Pacific carriers from Panama to the west coast of South and Central America have also discriminated in favor of foreign traffic.

After collecting these facts and reaching these conclusions, I immediately advised President Taft of what I considered important information and also laid the same before the Secretary of War for investigation.

Now, my object in publishing this is simply, if possible, to give full data to the coming session of Congress, as the honorable Secretary of War thinks Congress the one to provide the remedy for the present conditions. If the people of the United States consider it desirable to develop the commercial route *via* the Panama Railroad Company and, later on, the canal traffic, in the building up of their own commerce, they can do so. I wish to state that under no circumstances shall I have any interest, direct or indirect, in any benefits that might accrue.

Surely it must be plain to every one that in order to have full justification for the building of the Panama Canal and the expenditure of the hundreds of millions of dollars of the people,

there must be a reasonable expectation of realizing the benefits in the development of our trade and commerce, in addition to the value of the canal to our Government for the protection of both coasts by a smaller navy. An easy way is open for the next Congress. It is to be found in the enlargement of the Act of March 3rd, 1891, of which the following is the enacting clause:

“Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled that the Postmaster-General is hereby authorized and empowered to enter into contracts for a term not less than five nor more than ten years in duration, with American citizens, for the carrying of mails on American steamships, between ports of the United States and such ports in foreign countries, the Dominion of Canada excepted, as in his judgment will best *subserve and promote the postal and commercial interests of the United States, the mail service on such lines to be equitably distributed among the Atlantic, Mexican Gulf and Pacific ports.* Said contracts shall be made with the lowest responsible bidder for the performance of said service of each route, and the Postmaster-General shall have the right to reject all bids not in his opinion reasonable for the attaining of the purposes named.”

In my opinion, the most direct and most effective way to build up our Merchant Marine for the ocean trade and provide suitable vessels for use to our Navy and War Department, is for Congress to amend this Act of March 3rd, 1891, so that it will include a larger amount per ton per mile, and leave it discretionary with the Postmaster-General and the President of the United States to make such contracts as in their judgment will best accomplish the objects of the Act. Further provision should give the President authority to appoint a commission of three men with power of investigation, and in an advisory capacity only, one naval officer, one man from the east and one from the west coast, thoroughly familiar with maritime commercial needs. I believe that in the United States three experienced and exceptional men can be found with wide knowledge of commercial and maritime conditions. Furthermore, Congress could limit the amount that the President and the Postmaster-General could use under this Act.

To-day England is paying about \$16,000,000 for mail contracts and encouragement to shipping. I know of a number, particularly the one recently granted to the Elder, Dempster West India Steamship Company, that were without justification as mail contracts, but which were most important for the development of commerce. To-day the United States is paying for its entire

foreign mail service of every kind and description, including such things as the Panama Railroad, steamboat and railroad service and transfer in New York, about \$3,000,000.

Three plans have been proposed to build up the Merchant Marine. That for free ships has made a failing fight for many years and seems further from success now than ever. Another plan is by discriminating duties. But how is this possible when on an enormous percentage of cargoes imported no duty is paid—when in some particulars this percentage amounts to as much as sixty-seven per cent. of the total cargo, and when we must face the certainty that it will increase with every change in the tariff? The other plan is the one I have suggested; and I have gathered much help from the discussions which I have had with a number of Senators and Representatives who have interposed no objections to its practicability.

Here, then, we have an acute situation demanding immediate attention; and more important than that, we have the national duty of beginning to erect a Merchant Marine that will be prepared to take advantage of the greatest investment which the nation has ever made. We must get away from the smug idea that we are sufficient unto ourselves between the shores of our great oceans. The time will come when we shall be importing food-stuffs from South America and seeking South-American markets as a necessary outlet for our manufactured products. Not many years ago we had hides in overabundance, and we shipped them to every country that would buy. And yet the hardest fight in the recent tariff debate was to get the duty off hides because this country had to import them for its factories. That change may come in most of the other staples, and we must prepare to take care of ourselves on sea as well as on land in whatever corner of the earth trade is to be found.

I have not thought it necessary to bring into this discussion the opportunities in the Far East, but they are none the less important, and their relation to the new canal adds other reasons why we should be up and doing in the work for providing for to-morrow.

B. N. BAKER.